

State of Alaska FY2003 Governor's Operating Budget

Department of Community & Economic Development

Commissioner: Deborah Sedwick

Tel: (907) 269-8100 **Fax:** (907) 269-8127 **E-mail:** debby_sedwick@dced.state.ak.us

Administrative Services Director: Tom Lawson

Tel: (907) 465-2506 **Fax:** (907) 465-2563 **E-mail:** tom_lawson@dced.state.ak.us

Department Mission

The mission of the Department of Community and Economic Development (DCEd) is to promote independent communities and economic development in Alaska.

Department Goals and Strategies

STRENGTHEN RURAL COMMUNITIES

- Increase the capacity of local government to effectively provide essential public services by providing communities training and onsite technical assistance.
- Enhance the availability and quality of basic local government services by providing financial assistance that supplements local revenue generation (State Revenue Sharing, Safe Communities, shared State Fisheries Business Tax, shared Federal National Forest Receipts, Federal Payment-in-Lieu-of-Taxes).
- Promote local economic development by providing technical and financial support for community infrastructure critical to economic development and small business startup.
- Provide assistance, through coordinated response partnerships, to communities experiencing sudden economic dislocation as a result of major economic disruptions.
- Improve the safety and cost effectiveness of energy sources for power generation and heating in rural Alaska by constructing and repairing bulk fuel storage facilities.
- Protect the State's investments in rural electric power systems through training of the local operators and administrators, and by providing technical and financial assistance to prevent disasters.

WORK WITH RURAL COMMUNITIES AND THE PRIVATE SECTOR IN CREATING NEW JOBS FOR ALASKANS.

- Ensure that residents of small rural communities in western Alaska get the maximum benefits from their participation in the Community Development Quota (CDQ) program, a fisheries development initiative.
- Partner with other state agencies, private businesses, ANCSA corporations, tribes, and local governments to identify and develop opportunities for rural, regional and local economic development.
- Facilitate the exchange of information between Alaska exporters and potential customers through business intelligence services and trade practice assistance.
- Identify and assist in planning and developing new tourism opportunities to expand Alaska's tourist season and increase visits to rural Alaska.
- Encourage new international and domestic air carriers to use Alaska as a passenger and freight delivery point.
- Increase independent visitors on Alaska's highways and roads.
- Work with the Governor's Jobs Cabinet in seeking solutions and strategies for improving the economic climate in rural Alaska.

MARKETING ALASKA-SELL ALASKA'S GOODS AND SERVICES THROUGHOUT THE WORLD.

- In partnership with a private industry association, raise national and international awareness of Alaska as a tourist destination, and increase the consumption of Alaska seafood products through generic and targeted marketing.
- Organize and conduct business trade missions to expand product sales in current markets and develop new markets.
- Participate in special promotions and presentations, trade shows and seminars to raise the visibility of Alaska as a good place to do business.
- Continue the Governor's Business Opportunities Program under which the Governor, Commissioner and other Alaskans visit corporate boardrooms to solicit investment in Alaska.
- Make information on Alaska's economy, goods and services, investment opportunities, and departmental databases available on the Internet.
- Expand the public's ability to obtain department services through the Internet.

MAINTAIN A FAIR AND CONSISTENT BUSINESS REGULATORY ENVIRONMENT IN THE STATE.

- Expedite the conversion of Alaska's telecommunications industry from a monopoly-based to a competitive, market-based industry structure, while guaranteeing universal access to service.

- Assist businesses and consumers by placing the database of licensed professionals, corporations, and insurance carriers on the Internet, including information about disciplinary actions.
- Create simple, self-explanatory securities, corporations, insurance, and occupational licensing applications and forms available on the Internet to improve service to the public and reduce requests for staff assistance.

Key Department Issues for FY2002 – 2003

GENERAL

- Alaska's economy may be negatively impacted by events surrounding the terrorist attacks of September 11, 2001.
- In October 2001, Governor Knowles appointed a task force, co-chaired by the commissioner of DCED, to examine the impact of terrorism on Alaska's economy and make a report in 60 days. Concerns have been expressed by businesses in several key industries, such as tourism, oil and gas, and air cargo, about what recent events mean to Alaska's economy. The group will also make recommendations on legislation or administrative actions that can be taken to mitigate the impacts on businesses and Alaska's workforce.
The Department is increasingly encountering the recruitment/retention difficulties faced by all state agencies.
- Recruitment for positions requiring specialized technical expertise is becoming more and more difficult due to lack of qualified in-state candidates coupled with non-competitive salaries within those fields. State employee salaries and benefits generally are no longer as competitive as is necessary to attract quality candidates for many state positions. A contributing factor is the out-dated state classification system. Many job class specifications are 20 or more years old with restrictive minimum qualifications and do not produce sufficient applicant pools. A further contributing factor is the "graying" of the workforce, a nationwide phenomenon where the "baby boomer" generation of workers is reaching retirement age. Younger replacement workers are not only far fewer in numbers, they do not share the prior generations' notion of staying with the same employer for years. Even if quality replacement workers are found, the state currently does not have the tools/ability to provide retention incentives.

COMMUNITY AND BUSINESS DEVELOPMENT

- Many cities in Alaska are struggling to maintain basic services. This is especially true for some of the smaller municipalities that may have only several hundred residents and a very limited tax base. This situation threatens the state's investment in essential community facilities and poses a threat to the health and well being of Alaska's residents.
While offering promise, tourism development in rural Alaska faces significant problems and will require development assistance. Rural communities lack the staff and resources necessary to prepare for and attract tourism development in their communities. They are requesting information about the effects of tourism development, both positive and negative, that would allow community residents to make informed choices about development. Currently, information about Alaska's economy, labor force and industrial sectors is widely scattered among various agencies and organizations. The Alaska Economic Information System (AEIS) has been developed and is designed to provide user-friendly access to all this information at a one-stop portal on the Web. The initial AEIS development was funded with a one time grant but additional funds are necessary to keep the system current.
- As a result of an increasing work load, the State Assessor is not able to review the property assessment practices used by municipalities on a timely basis. The State Assessor's review of local assessment practices is critical to assuring the integrity of the Full and True Value Determination (FTVD) that is made for property in each municipality. The State Assessor's Full and True Value Determination serves as the State's independent assessment of the full and true value of all taxable property within a given locality. Because of continuing fiscal pressures, many municipalities feel a need to maximize their efforts to obtain state financial assistance. One of the results of these local fiscal pressures has been an increase in localities "pushing the envelope" of acceptable assessment practices. Additional staff is needed to provide support to the State Assessor, which will enable thorough and timely review of local assessment practices and property value determinations. This in turn will insure that all municipal school districts receive the amount of funding to which they are entitled.

INTERNATIONAL TRADE AND MARKET DEVELOPMENT

- Having established trade representation early on in markets like Japan, Korea, Taiwan and Sakhalin, Alaska exports to those markets have grown substantially. Alaska's worldwide exports were \$2.5 billion in 2000. In addition to maintaining a strong trade presence in these traditional markets, the state should now take steps to establish trade representation in China, an emerging market with significant potential for Alaska's goods and services.
- In order to expand and diversify the economy, Alaska must attract new industry and investment to the state. Doing so will help expand employment opportunities for Alaskans and diversify the tax base. Business and investment recruitment is a highly competitive endeavor. Cities, counties and states across America compete to attract business to their communities. In reality, the competition is global. American communities often find themselves competing with overseas locales for new business and investment. If Alaska is to succeed in attracting its fair share,

sufficient resources will need to be deployed to enable an effective, pro-active recruitment program.

QUALIFIED TRADE ASSOCIATION CONTRACT

- Beginning in FY 03, state law requires the qualified trade association contractor to increase its contribution to the marketing program from 30 to 60 percent. Unless additional funds are generated from private sector companies, the state's match will be reduced.
- Alaska's public funding for tourism marketing has declined from over \$10 million in FY92 to \$4.6 million in FY02. While other states have increased their funding by 25 percent in the past five years, Alaska has slipped from 7th to 29th place in the total amount spent on tourism programs, and now ranks 36th in the amount of public sector funds allocated to tourism. This decline in state funding requires industry to find ways to more effectively utilize its marketing money.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

- Begin sustained production of Alaska's first seafood manufacturing facility, Alaska Seafood International in Anchorage.
- Resolve issues surrounding future usage of the Healy Clean Coal Project.

ALASKA ENERGY AUTHORITY

- Increased funding from the Denali Commission offers a rare opportunity to upgrade both fuel storage facilities and electric utility systems in rural Alaska on a broad scale. A key issue for AEA is to provide sufficient management resources and accelerate the pace of project development so that rural communities can realize as much benefit as possible from this opportunity.
- The need to reduce energy costs in rural Alaska has become more urgent due to the sharp increase in fuel prices that has occurred during the past year. Strategies to reduce these costs through energy production efficiencies, energy production alternatives, and energy conservation need to be clearly identified, developed, and aggressively implemented.

POWER COST EQUALIZATION

- The FY02 amount available from the PCE endowment appropriation is based on 7% of the market value of the fund on February 1, 2001 or \$7,062,156.58. This amount was inadvertently not appropriated to the PCE Rural Electric Capitalization fund for use in FY02. Corrective action will be requested in the FY02 supplemental.
- The endowment is expected to generate approximately \$12 million for PCE in future years beginning in FY03 after the proceeds from Four Dam Pool divestiture are deposited. Based on the \$15.7 million appropriation level for FY02, the program has been prorated to 92% for community participants. In addition to the PCE endowment earnings, \$2.14 million in other funds must be appropriated to the PCE fund to maintain the PCE program at the \$15.7 million funding level in FY03.
- Because of increased fuel costs, the PCE program is expected to cost \$16.96 million in FY03 to operate the program at the statutorily established level.

ALASKA SCIENCE AND TECHNOLOGY FOUNDATION

- The ASTF endowment (\$101 million principal) is co-invested with the Permanent Fund and generates earnings. The earnings have been used for legislative appropriations, large grants, ASTF operations (primarily staff), partner organizations (economic development infrastructure), and technology, knowledge, and teacher grants. Annual earnings have declined from \$14 million in FY98 to \$5.2 million in FY2001. Earnings have declined primarily due to weaker stock market performance and a smaller earnings base. Over the last five years, ASTF's earnings base has eroded due to cumulative appropriations of \$13.1 million for the University of Alaska (UA) and \$2.7 million for Alaska Aerospace Development Corporation (AADC). For the past 2 years, ASTF has been limited in its ability to fund new grant proposals. At a time when Alaska's economy is growing more slowly than the national economy, and our faster growing technology sector is still relatively small compared to other states, this lessened ability of ASTF to provide seed capital and finance group projects with industry merits concern. The ASTF Board believes the long-term solution is to replace ASTF funding for the annual UA and AADC appropriations beginning in FY03. In addition, the UA and AADC appropriations of ASTF funding may be reduced through the FY02 supplemental.

ALASKA SEAFOOD MARKETING INSTITUTE

- The seafood industry, Alaska's largest private sector employer, is suffering from severely depressed salmon marketing prices. These depressed market prices are, in large part, being driven by a flood of farmed salmon. As a result, average ex-vessel prices for Alaskan wild salmon are low. Revenue generated by the 1% Salmon Marketing Tax is expected to decline from FY02 levels by at least \$700.0. This reduction will have a significant negative impact

on ASMI's marketing efforts. Increased marketing will be needed to help offset depressed market conditions. To have an effect on the upcoming summer season, this will need to be addressed prior to FY03.

- The Alaska salmon industry faces many serious challenges in the years ahead due to the increasing worldwide production of low priced, high-quality farmed salmon and the imminent mass production of farmed halibut. ASMI must identify appropriate research and implementation strategies to encourage the improvement in quality and value of Alaska salmon and increase our marketing presence in the US and foreign markets.

INSURANCE OPERATIONS

- Last session, legislation was passed to bring the Alaska insurance regulatory scheme into compliance with the requirements of the federal Gramm-Leach-Bliley Act (GLBA). As part of this legislation, the Division was authorized to adopt regulations defining the amount of personal health and financial information that insurance companies may share with affiliates and other third parties. The Division will be faced with balancing the privacy rights of individual insurance customers against the companies' interests in ease of commercial transactions, and adopting regulations defining when the sharing of personal information is appropriate.

OCCUPATIONAL LICENSING

- An Attorney General's opinion stating that division files related to investigations of occupational license holders may be public documents has resulted in lengthy reviews of voluminous investigative files. Witnesses' rights to privacy and public rights to government records must be weighed for each document in a file. The division expects the number of public record requests to increase as employers and parties to lawsuits become aware that investigative information is available. The division is having difficulty responding to the public record workload and other division activities are adversely affected.

Major Department Accomplishments in 2001

COMMISSIONER'S OFFICE

- Participated in the Governor' Rural Construction Working Group which resulted in a precedent setting agreement between unions, contractors, the state, and non-profit natives corporations regarding capital project construction in rural Alaska. Related activities designed and implemented by DCED to assist rural residents to better position themselves for the multi-million dollar public construction projects scheduled for the next three years include: 1) development of Job Summits, to increase local/regional employment; 2) Community Resumes, which increased the utilization of community assets on construction jobs, and 3) development of a public construction database for all projected work scheduled for the next three years.
- Formalized a process to respond to economic disasters in Alaska by utilizing a coordinated response partnership and making resources accessible to affected regions and communities.

ADMINISTRATIVE SERVICES

- Developed, improved and implemented a variety of data search and retrieval systems that provide access to public information over the Internet. These include the Business License Database, Occupational License Database, Insurance Producers Database, Corporations and Trademark Databases as well as others.
- Developed, with Division of Community and Business Development, the Alaska Photo Library Web site which provides high quality, royalty free images of Alaska for promotional and educational uses.
- Worked with Division of Occupational Licensing to (1) make Big Game Guide Use Area maps available online; maps can be viewed and printed from the internet, or downloaded by print shops for printing on large format printers; and (2) develop an online license renewal system for the Architects, Engineers and Land Surveyors.

COMMUNITY AND BUSINESS DEVELOPMENT

- Conducted with DF&G the first ever multi-species allocation Community Development Quota (CDQ) process during the fall of 2000. All quota including groundfish, halibut and crab species were allocated during the two-year Community Development Plan (CDP) cycle of 2001-2002.
- Helped secure funding for a value-added salmon marketing grant. These funds were provided through a special congressional appropriation that will provide grants for direct marketing by fishermen and processors who have a market-accepted value-added salmon product.
- Researched and prepared economic sector profiles for the Alaska Economic Information System (AEIS). The profiles are a compilation and analysis of data and information that identify resource and development opportunities and issues in the state's 27 census areas.
- Worked with other agencies to secure federal funds for geologic mapping, airborne geophysical surveys, and

baseline water quality surveys. This information is essential to attracting exploration activity.

Coordinated efforts with agencies and rural groups to produce standardized community profile maps for the public.

- Partnerships have been underway this year with the Interior Rivers Resource Conservation and Development Council, the Northwest Arctic Borough and the state's Village Safe Water Program.

INTERNATIONAL TRADE AND MARKET DEVELOPMENT

Organized Governor's Mission to China with stops in Hong Kong, Shanghai and Beijing. Results: Alaska company entered into a joint venture with the Chinese pipeline and oil company, SINOPEC; and seafood sales nearly doubled in latter half of 2000. Mission afforded opportunity to thank existing customers and introduce Alaska's resource and service exports to potential buyers.

- Organized Governor's Mission to Japan with approximately two dozen high-level private sector participants. Raised profile while initiating and renewing business ties with Alaska's major trading partner.
- Continued introduction of fresh Alaska seafood to Korean hotel restaurants and other high-end customers - to the benefit of seafood and air cargo industries. Missions and promotions resulted in nearly \$1,000,000 in direct sales by Alaska seafood companies to five major hotels in Korea. Business meeting with Korean Air resulted in airline's decision to promote travel to Alaska by "Destination Alaska" in-flight video and cover article for carrier's in-flight magazine.

Promoted Alaska oil spill preparedness and response companies/agencies to Taiwan Coast Guard, Taiwan EPA, Chinese Petroleum Corp., Taiwan Legislative Yuan. Result: an Alaska environmental services company is currently in negotiations with Taiwan EPA for an oil spill response training contract.

- Following the demise of Reeve Aleutian Airways, sponsored Alaska-RFE Aviation Roundtable, bringing stakeholders together to rebuild RFE routes, which in turn led Evergreen International Airlines to announce intent to start Sakhalin service in 2002; Mavial expanded its Anchorage-Magadan route to include Kamchatka; and Alaska-Chukotka flights picked up.

QUALIFIED TRADE ASSOCIATION CONTRACT

National cable television returned to the marketing program after Alaska was "off the air" for 1 full year. Total buy in

- FY02: \$1.2 million.
- Increased and expanded the selection of marketing services to businesses. New programs included: advertising on specialty websites featuring adventure/ecotourism; sportfishing and cultural tourism; online travel specials on website to allow businesses to promote short-term special offers to consumers; electronic newsletter which allows follow-up marketing to consumers.

INVESTMENTS

Supported the Volunteer Tax and Loan Program (VTLP) through a contract for fisheries business development to the

- Alaska Business Development Center, Inc. (ABDC). Seventeen trips were made during FY01 to assist 33 communities in five Alaskan regions (Interior, Western, Southeast, Bristol Bay and Kodiak). Teams comprised of advanced accounting students, IRS tax supervisors and ABDC consultants traveled to each community to provide tax preparation and loan package assistance as well as business and financial counseling. Overall, ABDC's VTLP assisted 2,938 individuals and prepared 1,388 returns. The Division received national recognition in August of 2001 when the VTLP was selected by the National Association of Development Organizations (NADO) to receive a 2001 Innovation award.

ALASKA AEROSPACE DEVELOPMENT CORPORATION

Successfully launched Air Force Quick Reaction Launch Vehicle (QRLV-1) in March 2001.

- Successfully launched KODIAK STAR for Lockheed Martin Corporation in September 2001.
- Supported Army Strategic Target Systems (STARS) effort for November 2001 launch.
- Awarded contract for Launch Support Services to local Alaskan Company.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

Purchased approximately \$9.9 million in loan participations originated through financial institutions for businesses and projects in Alaska, helping to expand Alaska's economic base and create jobs in Alaska. As of June 30, 2001, had approved loan participation purchase commitments for an additional \$18 million.

Issued \$16.1 million in conduit financing for private sector and non-profit projects.

- Helped the Alaska Seafood International manufacturing facility (ASI) owners negotiate an organizational restructuring to provide operating capital and a new owner-operator. ASI is restarting operations and is processing orders. In full production, ASI will provide 450 year-round manufacturing jobs, result in hundreds of indirect jobs, and stimulate the local economies of fishing communities by providing a reliable market for their product.

Oversight of the Healy Clean Coal Project (HCCP) was transferred to Golden Valley Electric Association (GVEA)

under a settlement agreement during the prior year. The settlement agreement ended two years of litigation between AIDEA and GVEA. During this post-settlement period, AIDEA and GVEA are exploring financing alternatives to complete a retrofit of the Project, to allow the resumption of power generation.

ALASKA ENERGY AUTHORITY RURAL ENERGY OPERATIONS

- Completed bulk fuel storage consolidations and upgrades in 5 communities totaling \$13.3 million. An additional 5 bulk fuel consolidations, totaling \$14 million, will be completed in calendar year 2001.
- Started preliminary design work on 21 additional bulk fuel storage projects.
- Completed rural power system upgrades in 5 communities totaling \$4.1 million. Started preliminary design of rural power system upgrades in 6 villages with total estimated construction costs of \$9.9 million.

ALASKA SCIENCE AND TECHNOLOGY FOUNDATION

- ASTF grantee Alaska Manufacturing Contractors (AMC) has completed building 40 manufactured homes at its facility at Point McKenzie from its patented design. These homes can be leveled using only 3 points, have improved heating and cooling, and demonstrate a superior arctic design. The project employs 50 workers, many from villages that will receive the housing (Mountain Village, Unalakleet, Emmonak, Nome, St. Michaels, and Shaktoolik). AMC production has replaced an out-of-state manufacturer. Afognak Native Corporation purchased 51% of AMC.
- Anchorage Muni's Geotechnical Committee has draft microzone maps prepared by a UAF seismologist for local soil conditions from tremor data from 25 sensors around the Anchorage Bowl. The committee will now consider changes to building codes to increase safety and prevent over or under design of new structures. A major USGS grant was received that will allow continued and expanded operation of the sensors.
- Alaska Growth Capital (AGC) BIDCO capitalization reports it has made loans or equity investments to 25 organizations that have created or retained 366 jobs. Originally capitalized by ASTF and Arctic Slope Regional Corporation at \$6 million, AGC now has over \$11 million to do pre-bankable deals. Key projects include initial financing of Wrangell Seafood plant, Adak Seafood, and smaller technology companies. ASTF and AGC co-financed a new product line for the Omega Sea plant in Sitka and equipment for a garnet mine in the Interior.

ALASKA SEAFOOD MARKETING INSTITUTE

- Alaska Seafood was ranked #3 of the top ten brands in the top 500 restaurant chains in the United States. Building the Alaska Seafood brand is the best way to raise the products from a commodity status to a recognized brand similar to Idaho Potatoes and Washington Apples.
- A Salmon Index was established for the U.S. market. This is a monitoring index composed of several measurements that are weighed together to create a composite number. Such measurements include attitude and awareness, media exposure, positive associations with Alaskan Salmon, price/value relationships, awareness of industry issues, and farmed salmon issues. Having established a quantifiable baseline in Year 1, ASMI will measure change over the subsequent years.

OCCUPATIONAL LICENSING

- Issued or renewed 5,000 business licenses through the Internet.
- Developed online program for renewal of architect, engineer and land surveyor licenses.
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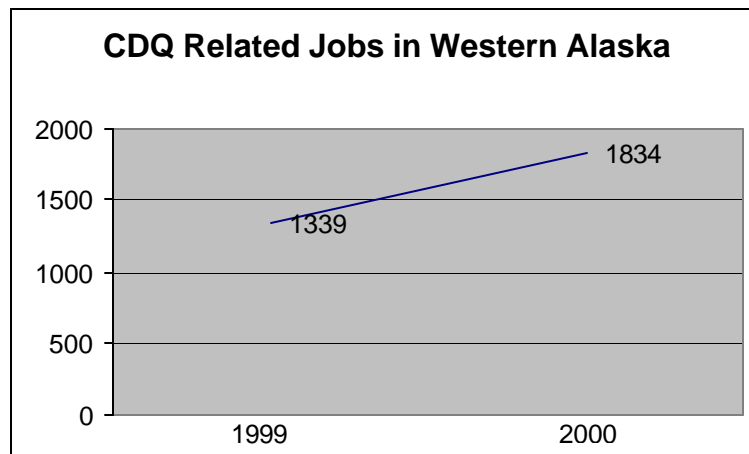
Governor's Key Department-wide Performance Measures for FY2003

Measure:

The change in the number of CDQ-related (community development quota related) jobs in Western Alaska.
Sec 24(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

There were 1834 CDQ related jobs created in 2000, an increase from 1339 in 1999. The employment include positions on offshore factory trawlers, onshore processing plants, CDQ halibut and salmon plants, local halibut fisheries, and various management and administrative jobs within the six CDQ groups.



FY03 target: The division expects the number of seafood industry jobs in the CDQ program to increase again in FY03 primarily due to increasing CDQ ownership in groundfishing vessels. In addition, better recruitment and placement of employees by the CDQ groups in the processing and harvesting sectors and in administrative and management positions within the groups themselves, have made more employment opportunities available for residents in western Alaska.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The data for this Measure was taken from the 2000 CDQ Quarterly Reports.

Measure:

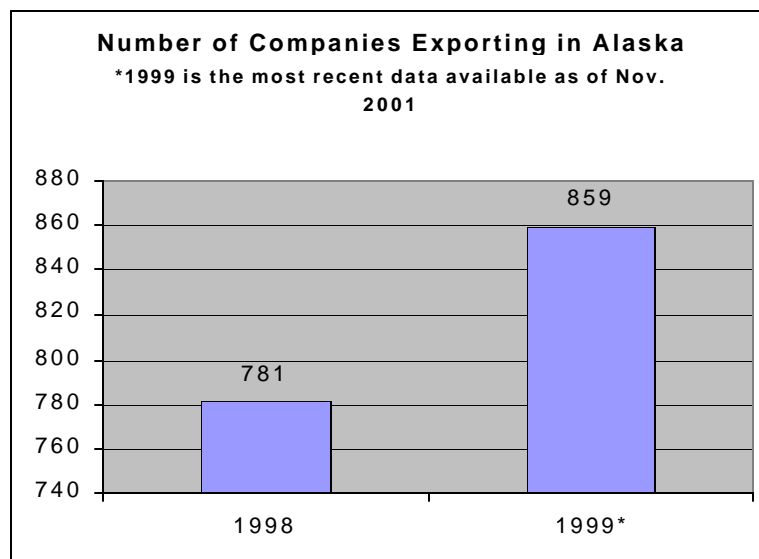
The increase in the number of Alaska firms that export products and services.

Sec 25(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

According to the U.S. Department of Commerce ("A Profile of U.S. Exporting Companies, 1998-1999"), in 1999, the most recent year for which figures are available, the number of Alaska-based exporters was 859. This number represents a 10% increase from 1998.

Target proposal: Meet or exceed the national rate of growth of the number of exporting companies.



Benchmark Comparisons:

During the 1998 to 1999 period, the national rate of growth of the number of exporting companies was 7.5%, based on information collected and reported by the U.S. Department of Commerce.

Background and Strategies:

Diversifying markets is beneficial to Alaska companies and Alaska's economy. The division assists export-ready companies to begin and expand export markets.

Provide trade information and services to export-ready Alaska companies.

- Assist smaller and new-to-export firms to "test the waters" overseas through relatively inexpensive means such as
- Alaska Products Catalogs distributed to trade groups, and shared Alaska booths at targeted trade shows.
- With private sector interest and support, organize and conduct trade missions matching industries with potential markets to expand sales in current markets and develop new markets.

Measure:

Increase visitation from domestic and foreign markets.

Alaska's Target & Progress:

Target is to increase overall visitation by 3% in Summer and 3% in Fall/Winter.

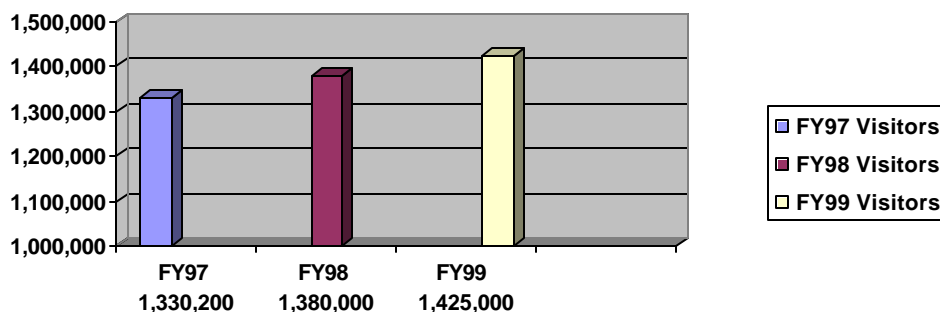
Summer 2001: Progress will not be known until the Alaska Visitor Statistics Program (AVSP) Summer 2001 report is released by the Department. However, in an informal poll of Alaska tourism businesses over 40% of respondents reported business was down for summer of 2001 compared to previous years.

Fall/Winter 2001: Early indicators show that this goal was exceeded by a significant amount. Preliminary data from the AVSP Fall/Winter 2000/01 estimates arrivals were 10-15% higher than in fall/winter 1998-99 (the last year for which information is available).

DCED is updating the Alaska Visitor Statistics Program IV (AVSP), which will provide critical data on Alaska visitors. This information will be used as a benchmark for tracking actual visitation patterns for FY03 and in future years. Once completed, this study will also provide benchmark information for the number of repeat visitors.

The AVSP 1999 Summer Arrivals study shows that visitor traffic growth has slowed over the past several years. In 1996, visitor volume grew by 10%; in 1997, by 5%; and in 1998, by 4%.

YEAR-ROUND ALASKA VISITATION



*No AVSP Fall/Winter arrivals data was collected for 1999/2000 so 1998/1999 figures were used for comparison.

Events of 9/11: The tragic events of September 2001 have altered the course of travel for the foreseeable future. Travel and tourism is one of the hardest hit sectors of the economy and one of the areas where consumer confidence will take the longest time to return. Massive layoffs and bankruptcies are erupting throughout the industry. As a result urgent short term measures have been undertaken by the federal government to generate cash flow and assist the travel industry in regaining its footing. A number of cities and states have begun emergency marketing campaigns to attract consumers who are willing to travel. In Alaska the major impact will occur in the coming months as we head

into the peak booking cycle and summer season. Alaska is expected to be particularly hard hit since many consumers are now afraid to fly, and Alaska's primary mode of travel is by air.

Benchmark Comparisons:

According to the Travel Industry Association (TIA), U.S. domestic travel for 2000 grew by 1% over 1999, while the Pacific region of the U.S. saw an increase of 5% over the previous year. International travel was up 4.9% with cruise industry traffic increasing 16.8%. TIA originally forecasted a 1.8% increase in domestic/international travel for 2002, although these projections are now being re-evaluated due to the terrorist attacks.

Background and Strategies:

Alaska needs to become more competitive in the marketplace; given current funding, this is very difficult to do. In comparison to other states, Alaska ranks 36th in the amount of state funds allocated to tourism marketing. This greatly diminishes the state's ability to compete for visitors. The average state tourism marketing budget for 2001 was \$13.7 million compared to Alaska's \$7.3 million budget. Another important point of reference is that 35 of 50 state tourism marketing programs receive 100% of their funding from the public sector.

International visitors continue to come primarily from Japan, Germany, the United Kingdom and Australia. Based on reports from tour operators, cruise lines and airline sources the 2001 season brought approximately 25,000 visitors from Germany, 23,000 from Japan, 15,000 from the United Kingdom and 12,000 from Australia.

Marketing strategies being implemented to compete for visitors include:

Adding national cable television.

- Expanding and promoting Official Alaska State Travel Website (www.travelalaska.com) in order to maintain the monthly average of 90,000 visitor sessions and 23.5 million total hits to the site for the year.
- Bolstering Public Relations efforts to include aggressive outreach to travel writers, editors and producers in order to increase national media exposure for Alaska.
- Increasing the level of knowledge regarding Alaska with travel trade and tour operators.

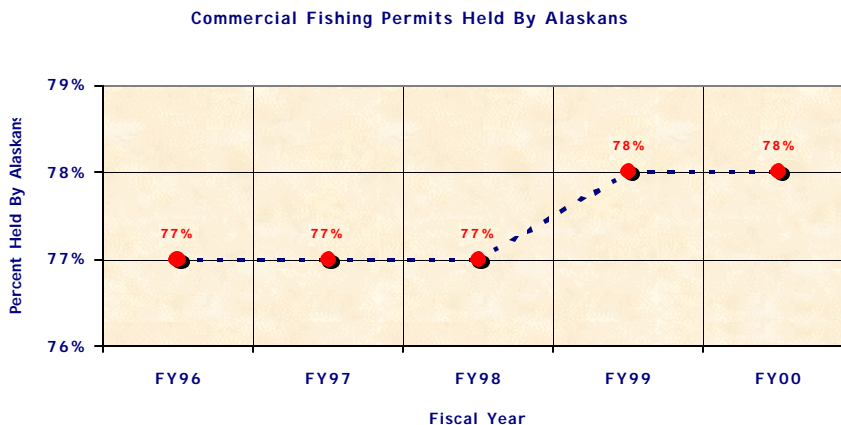
Measure:

Whether the division maintains the proportion of commercial fishing permits held by Alaskans at 75% or higher through the Commercial Fishing Revolving Loan Fund.

Sec 27(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY99 and FY00 (the most recent figures available), the proportion of permits held by Alaskans was 78%. From FY96 to FY98, the proportion of permits held by Alaskans was 77%.



Benchmark Comparisons:

Other than our twenty-five year loan history, there are no other programs similar to this loan program.

The commercial fishing industry continues in flux as world markets adapt to the changing supply of fish from fish farms as well as the more traditional fishing fleets. The salmon markets have been significantly affected, and as a result, they have been extremely volatile for the past several years. It is important that Alaska maintains its place in the worldwide salmon market during these changing times to assure our place for the future. This loan program offers a relatively modest financing program for Alaska resident commercial fishing harvesters. The division's effort is to maintain the proportion of commercial fishing permits held by Alaskans at 75% or higher. To achieve this goal this division will:

- Work with Alaska resident fishermen requesting financing for the purchase of permits.
- Work with Alaska resident fishermen requesting financing for gear, vessel upgrades and/or improvements.
- Travel to fishing communities all over the state to assist them in their planning for financing their on-going fishing businesses.
- Travel to fishing communities all over the state to assist them in solving tax related problems.
- Continue to work with the Alaska Business Development Center, assisting fishermen through our Fisheries Business Assistance Contract.

Measure:

AIDEA -- The number of permanent jobs created.
Sec 29(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 2001 AIDEA funded loan participations totaling approximately \$9.9 million, creating approximately 185 construction jobs and 163 new jobs, and guaranteed one loan for \$150,000, creating 6 new jobs. In FY2002 AIDEA will purchase between \$50 and \$65 million in loan participations. This is expected to be a record amount and not a figure that is sustainable. In FY 2003, AIDEA will purchase approximately \$30.0 million in loan participations with financial institutions; and guarantee \$2.0 million in small business loans. The number of jobs created is one of the factors in AIDEA's determination to participate in a loan financing; however, AIDEA has not traditionally projected the number of jobs to be created by its financing participations. After a loan is approved AIDEA is able to track that information. On average, over 285 permanent jobs are created annually by AIDEA's loan participations and guarantees.

	Jobs Created/Retained	
	Construction	Permanent
1992	77	34
1993	191	568
1994	334	349
1995	268	215
1996	298	128
1997	504	176
1998	600	500
1999	381	442
2000	506	275
2001	185	169

The number of "permanent jobs created" dropped from FY00 to FY01 primarily due to a drop in loans funded, from \$30.9 million in FY00 to \$9.9 million in FY01. The drop in fundings is in part due to large new construction projects that AIDEA committed to but were not completed within the fiscal year. There is often a lag time between approved loans and funded loans, possibly 60 days to a year. FY02 will reflect the statistics for completed projects that AIDEA committed to in FY01.

Benchmark Comparisons:

No other state in the nation has a public development corporation identical to AIDEA.

Background and Strategies:

AIDEA provides the financing mechanisms necessary to participate in long-term commercial loans, guarantee small business loans, including export transactions, to own projects that promote economic development and to provide conduit financing of projects owned by others that promote economic development.

AIDEA will continue to work with the private sector to develop infrastructure projects that AIDEA can own and lease to the private sector, complimenting private sector investment. AIDEA will also continue to work with the private sector to provide conduit revenue bond financings of projects owned by private sector investments that promote economic development.

Measure:

The percentage of technology project grantees in business because of ASTF grants.
Sec 32(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

67% (31 out of 46) reported being in business because of their ASTF grant.

Target: 50% in business because of their ASTF grant.

Benchmark Comparisons:

Annually, ASTF prepares an Alaska science and technology innovation index which can be downloaded from ASTF's website at:

<http://www.astf.org/admin/files/data/docs/TechIndex2001.pdf>.

This index includes historical trends and comparisons with selected other states and the U.S. average. The index represents a snapshot in understanding areas where Alaska is either doing well, average, or poorly in terms of its economy and science and technology innovation and potential.

Background and Strategies:

ASTF co-invests in new business concepts in a portfolio of both new and existing firms. Most Alaskan firms cannot afford R&D projects or risk. New firms offer exciting growth possibilities. Existing firms seeking to add a new business line offer business experience and infrastructure, managerial and financial depth, and support services.

Department Budget Summary by BRU

All dollars in thousands

	General Funds	FY2001 Federal Funds	FY2001 Actuals Other Funds	Total Funds	General Funds	FY2002 Federal Funds	FY2002 Authorized Other Funds	Total Funds	General Funds	FY2003 Federal Funds	FY2003 Governor Other Funds	Total Funds
Formula												
Expenditures												
State Revenue	28,493.4	5,556.8	1,403.6	35,453.8	12,855.2	15,830.0	1,000.0	29,685.2	12,855.2	15,830.0	1,150.0	29,835.2
Sharing												
Fish	5,302.2	0.0	0.0	5,302.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enhancement												
Tax Receipts												
Rural Energy	0.0	0.0	16,091.6	16,091.6	0.0	0.0	15,700.0	15,700.0	0.0	0.0	0.0	0.0
Programs												
Non-Formula												
Expenditures												
Language	2,190.0	0.0	0.0	2,190.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sections												
Executive Admin	2,526.8	235.0	2,246.9	5,008.7	1,532.1	0.0	1,457.2	2,989.3	1,456.1	0.0	1,502.5	2,958.6
Comm Assist &	4,271.4	1,773.2	2,840.1	8,884.7	5,742.1	1,372.6	3,602.1	10,716.8	6,431.0	1,405.4	3,438.3	11,274.7
Ec Dev												
Safe	0.0	0.0	0.0	0.0	16,775.5	0.0	0.0	16,775.5	16,775.5	0.0	0.0	16,775.5
Communities												
Program												
Qualified Trade	4,800.0	0.0	0.0	4,800.0	4,605.1	0.0	50.1	4,655.2	4,005.1	0.0	0.0	4,005.1
Assoc.												
Contract												
Investments	0.0	0.0	3,150.6	3,150.6	0.0	0.0	3,399.4	3,399.4	0.0	0.0	3,482.0	3,482.0
Alaska	0.0	0.0	4,724.6	4,724.6	0.0	0.0	13,649.2	13,649.2	0.0	0.0	14,612.5	14,612.5
Aerospace												
Devel Corp												
AIDEA	0.0	0.0	5,910.9	5,910.9	0.0	0.0	7,170.8	7,170.8	0.0	0.0	6,539.5	6,539.5
Rural Energy	387.9	22.6	1,759.9	2,170.4	489.7	166.0	1,895.3	2,551.0	0.0	0.0	0.0	0.0
Programs												
Alaska Energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	495.6	168.3	20,427.3	21,091.2
Authority												
AK Science &	0.0	0.0	5,360.2	5,360.2	0.0	0.0	10,491.9	10,491.9	0.0	0.0	10,518.6	10,518.6
Tech												
Foundation												
Alaska Seafood	0.0	1,643.2	6,945.1	8,588.3	0.0	3,500.0	7,730.2	11,230.2	0.0	3,500.0	7,081.8	10,581.8
Marketing Inst												
Banking,	0.0	0.0	1,809.0	1,809.0	0.0	0.0	1,903.2	1,903.2	0.0	0.0	2,199.4	2,199.4
Securities,												
and Corp												

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Insurance	0.0	0.0	3,936.7	3,936.7	0.0	0.0	4,619.6	4,619.6	0.0	0.0	4,791.8	4,791.8
Occupational Licensing	527.4	0.0	5,534.2	6,061.6	545.0	0.0	6,456.4	7,001.4	556.9	0.0	7,029.1	7,586.0
Reg Comm of Ak	0.0	0.0	5,258.2	5,258.2	0.0	0.0	5,871.3	5,871.3	0.0	0.0	6,003.1	6,003.1
DCED State Facilities Rent	496.3	0.0	0.0	496.3	359.9	0.0	178.0	537.9	571.1	0.0	220.9	792.0
Totals	48,995.4	9,230.8	66,971.6	125,197.8	42,904.6	20,868.6	85,174.7	148,947.9	43,146.5	20,903.7	88,996.8	153,047.0

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	9,230.8	20,868.6	20,903.7
1003 General Fund Match	608.2	607.9	617.2
1004 General Fund Receipts	46,422.2	41,718.7	41,939.4
1005 General Fund/Program Receipts	1,965.0	578.0	589.9
1007 Inter-Agency Receipts	8,275.0	7,601.7	7,833.8
1025 Science & Technology Endowment Income	5,915.4	11,058.1	10,518.6
1035 Veterans Revolving Loan Fund	93.6	107.4	61.7
1036 Commercial Fishing Loan Fund	2,502.3	2,698.8	2,898.2
1040 Real Estate Surety Fund	85.3	273.8	253.0
1051 Rural Economic Development Loan Fund	99.8		
1053 Investment Loss Trust Fund	287.2		
1057 Small Business Loan Fund	3.3	3.4	3.5
1061 Capital Improvement Project Receipts	2,045.0	1,378.8	2,233.8
1062 Power Project Loan Fund	802.5	807.5	835.2
1067 Mining Revolving Loan Fund	5.0	5.1	5.2
1068 Child Care Revolving Loan Fund	5.8	6.0	6.2
1069 Historical District Revolving Loan Fund	2.5	2.5	2.5
1070 Fisheries Enhancement Revolving Loan Fund	333.0	332.6	340.7
1071 Alternative Energy Revolving Loan Fund	151.7	151.7	144.9
1074 Bulk Fuel Revolving Loan Fund		49.3	51.0
1089 Power Cost Equalization Fund	15,700.0	15,700.0	16,960.0
1101 Alaska Aerospace Development Corporation Receipts	3,133.2	12,900.6	13,854.7
1102 Alaska Industrial Development & Export Authority Receipts	3,457.9	4,055.3	4,147.6
1107 Alaska Energy Authority Corporate Receipts	791.2	1,051.9	1,067.1
1108 Statutory Designated Program Receipts	12.5	60.0	260.0
1111 Fishermans Fund Income		115.0	115.0
1115 International Trade and Business Endowment Income		496.4	496.4
1141 RCA Receipts	5,252.2	5,871.3	6,003.1
1156 Receipt Supported Services	18,017.2	20,404.5	20,818.7
1164 Rural Development Initiative Fund		43.0	44.0
1170 Small Business Economic Development Revolving Loan Fund			41.9
Totals	125,197.8	148,947.9	153,047.0

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	479	506
Permanent Part Time	6	5
Non Permanent	1	0
Totals	486	511

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Electronic Document Imaging, Storage and Retrieval System	0	0	1,125,000	1,125,000
Loan Servicing Software Replacement	0	0	550,000	550,000
Federal Community Development Grants	280,000	3,000,000	0	3,280,000
Community Block Grants	0	9,000,000	0	9,000,000
Language Section: National Petroleum Reserve Alaska Impact Program	0	1,680,000	0	1,680,000
Language Section:Trans-Alaska Pipeline Liability Fund	0	2,150,000	0	2,150,000
Bulk Fuel Systems Upgrades	0	0	1,600,000	1,600,000
Rural Power Systems Upgrades	500,000	0	0	500,000
Language Section: Electrical Emergencies	0	0	350,000	350,000
Diesel Efficiency and Alternative Energy Program	500,000	0	0	500,000
Federal Energy Projects	0	30,000,000	0	30,000,000
Arctic Winter Games Team Alaska	75,000	0	0	75,000
Delta Junction Missile Defense Test Bed Impact Mitigation Projects	0	10,000,000	0	10,000,000
Department Total	1,355,000	55,830,000	3,625,000	60,810,000

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

COMMUNITY AND BUSINESS DEVELOPMENT

- **Alaska Economic Information System.** A general fund increment is requested to establish four new positions and related expenses for the Alaska Economic Information System (AEIS). The AEIS is designed to provide user-friendly access to all this information at a one-stop portal on the Web. This system will be a tremendous development resource for businesses, communities and individuals - saving them significant time and effort in collecting the information on which to base development plans. Users will be able to view a map of Alaska on line, click on a census area, and quickly get the picture of that area's basic economic industries such as tourism, oil and gas, mining, and seafood. Comprehensive information will also be provided for the critical infrastructure elements of transportation, energy, and utility sectors that support long-term viable economic development. Users will be able to "drill down" through the Web site to get to greater levels of detail about their specific areas of interest, including graphs and working spreadsheets that users can download to their own computers for further analysis. As a portal, the AEIS will also contain a host of links to other Web sites relevant to an understanding of the Alaska economy. The positions would be responsible for working with other state, federal and regional organizations to develop data and protocols to ensure that the information in the AEIS database is as up-to-date, accurate and comprehensive as possible, and to continually expand the information resources contained in the AEIS. Positions will also be responsible for developing detailed, sub-regional economic analyses of specific public policies or development projects.
- **Assistant State Assessor.** A general fund increment for an assistant state assessor position and related expenses is requested to review the property assessment practices used by municipalities on a timely basis. The State Assessor's review of local assessment practices is critical to assuring the integrity of the Full and True Value Determination (FTVD) that is made for property in each municipality. The State Assessor's Full and True Value Determination serves as the State's independent assessment of the full and true value of all taxable property within a given locality.
- **Fisheries Development Position.** An increment for a second fisheries development position and related expenses is requested to work on projects such as salmon industry revitalization, new fisheries development, groundfish industry issues and implementation of seafood in USDA programs. Funding would come from the Commercial Fishing Revolving Loan Fund.

INTERNATIONAL TRADE AND MARKET DEVELOPMENT

- **China Trade Representation.** An increment is requested to provide contract trade representation in the People's Republic of China (PRC) to promote China's import of Alaska goods and services.

QUALIFIED TRADE ASSOCIATION CONTRACT

- **Reduce Uncollectable I/A Authorization.** When the BRU for the Qualified Trade Association was established in FY 2001 from the former Division of Tourism, interagency receipts were transferred from the division. The Division of Tourism collected these receipts from the Department of Transportation for Tourism North and Scenic Byways projects. Since QTA is not a state agency, these funds cannot be collected as interagency receipts.
- **Reduce Authorization.** When tourism marketing was transferred to a qualified trade association (QTA) by statute in 1999, 30% of the marketing budget was to be raised by the QTA. By statute (AS 44.33.125(a)), this percentage increases to 60% in the FY03 contract. Assuming the tourism industry can generate the contribution assumed under the Millennium Plan, based on the Plan's projected total budget of \$10 million, the State's share of the budget will be reduced from \$4.6 million to \$4.0 million.

ALASKA AEROSPACE DEVELOPMENT CORPORATION

- **New Positions.** Continued growth and future launch contracts has determined the need for four staff positions and related expenses to be added to support the administration, operations, and maintenance demands of the corporation. Increments are requested that would fund two positions in Anchorage, an Accounting Technician and a Contracts Manager. The remaining two positions would be a Deputy Director and a Health and Safety Manager at the Kodiak Launch Complex. Funding source is AADC corporate receipts.
- **ASTF to CIP Funding Source Change.** The earnings from ASTF's endowment have dropped significantly the last two years. Endowment earnings have dropped from \$10.4 million in Fiscal Year 2000 to \$5.2 million in Fiscal Year 2001. As a result, the portion of ASTF earnings that went to non-ASTF programs including AADC, increased from 31 to 62 percent. This significantly reduced funding for ASTF and its mission. A fund source change moves that portion of AADC funding that was from the ASTF Endowment funding to CIP Receipts.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

- **New Positions.** AIDEA requests an increment in personal services to hire three CIP positions. The funding source is I/A receipts from the Alaska Energy Authority (AEA). These positions are needed due to the increase of Denali Commission funded projects managed by AEA rural energy operations.

ALASKA ENERGY AUTHORITY

Energy Operations. AEA is occasionally requested to perform contractual services on behalf of private entities.

- AEA requests authorization to receive statutory designated program receipts to cover these contracts. AEA expects Sandia Labs to request contractual services to be performed in FY03 for the energy storage into distributed resource electricity supply systems. In addition, due to the increase in Denali Commission funds and projects, an increment for contractual expenditures with CIP receipts as the funding source is requested. A corresponding increment in personal services for three CIP positions is requested in the AIDEA operations component.

BANKING, SECURITIES AND CORPORATIONS

New Investigator. One new fee-supported position is requested. The division needs an Investigator III to assist the examiners in investigating alleged violations of law and in compiling and organizing evidence to support enforcement action. Securities complaints have increased 75% in the last two years. Examiners who must set aside other responsibilities to conduct the investigation now conduct investigations, but have little or no formal training in investigation techniques. This position will give the division trained investigative staff to process cases more quickly and efficiently through to resolution. The position is to be funded with fees through receipt supported services.

- **Securities Database Maintenance.** The division seeks an increment to provide funds for the maintenance/upgrade agreement with the securities database vendor. The database will be purchased in FY02 with a FY02 capital appropriation, and regular vendor support is required to fix problems and provide updates to reflect changes in federal and state laws and procedures. This request is to be funded with fees through receipt supported services.

- **Legal Services.** The division seeks an increment to provide funds for an RSA with the Department of Law for legal services of a half-time attorney. The division has no attorney on staff and needs the Department of Law to develop and provide expertise in banking, corporation, and securities law. Administrative orders, hearings, and other activities subject the State to legal proceedings that require the division to obtain expert legal support, similar to that of the other regulatory agencies in the department. This request is to be funded with fees through receipt supported services.

- **State Banking Program Accreditation.** The division seeks an increment to provide funds to obtain accreditation of the division's bank examination program and certification of examination staff by the Conference of State Bank Supervisors (CSBS). Currently 44 jurisdictions in the U.S. are accredited by CSBS, and accreditation assures the State that other state and federal regulators will accept examination reports by the division's examiners. Without this assurance, industry could be subject to increase regulatory burdens. This request is to be funded with fees through receipt supported services.

INSURANCE

Create New Market Conduct Examiner Position. Currently the Market Conduct Section is composed of only 3

- positions, one of which is supervisory. In the past the Alaska Division of Insurance had six Market Conduct Insurance Analysts (examiners) plus a supervisor. Gradually, the section was redesigned and moved entirely to Anchorage, and through attrition and other factors, the section was reduced to one person. Adding a Market Conduct position to Juneau results in closer proximity for the conduct of specialized market conduct examinations of surplus lines brokers, the majority of whom are Seattle based. Alaska is probably the one state that depends most heavily upon the specialty surplus lines markets to provide for the insurance needs of much of our small and mid-sized commercial risks. The market conduct section of the division has been a longstanding resource for the resident and non-resident surplus lines brokerage houses alike, and has been instrumental in developing and maintaining a level regulatory playing field. This market is vital to the economic well being of our economy.

OCCUPATIONAL LICENSING

Strengthening Investigative Unit. The primary goal of the division in FY03 will be to restructure and support the

- Investigative Unit. The Investigative Unit has grown from six investigators to fourteen as the number of licensing programs, the number of license holders and the complexity of cases have expanded. The growth of the Investigative Unit and its responsibilities means that the Chief Investigator can no longer directly supervise all investigators and give each case the necessary oversight. Supervision is important because of the impact of investigative decisions on the life of the accused and the safety of the public. The legislature recognized the importance of the Investigative Unit when it created a budget measure focused on investigative efficiency. The division would like to establish a senior investigator position to oversee the work of a section of the unit. The

division also requests a technician position to assist all the investigators in tracking and organizing their caseload. Funding would be from receipt supported services.

Revision of Licensing Staff Classification for Pay Equity. The class specifications and compensation for

- Occupational Licensing Examiners have not been significantly adjusted or reviewed in over twenty-five years. The work descriptions in the specifications hearken back to the era of typewriters and depict the work in clerical terms that may reflect gender bias. Today, Occupational Licensing Examiners generally serve as the primary staff person for one or more statewide licensing programs and the sole support for licensing boards. The Department of Administration expects to complete a classification study of the Occupational Licensing series in November. Funding would be from receipt supported services.

Board of Nursing Support. The Board of Nursing licenses over 10,000 nurses, advanced nurse practitioners and certified nurse aides, representing over 25% of the division's licensees. Board responsibilities have become increasingly complex and challenging due to the mobility of the workforce, changes in healthcare delivery, public protection expectations and expansion of the nurse aides certification program. The Board cannot meet the needs of the healthcare industry and fulfill its public safety responsibilities without reorganization and expansion of its staff. The Board has requested the following increments:

- Establish and fund an Investigator III to create a second nurse investigator. 106 new Board of Nursing investigations opened during FY01.
- Establish and fund a Nurse III to assist the executive administrator of the Board of Nursing at a professional level and provide focus on nurses impaired by substance abuse.
- Establish and fund a Licensing Examiner (range 14B) to certify the increasing number of nurse aides and to handle the additional work when temporary nurse aide certification is created to provide time for criminal justice fingerprint checks.
- Provide funding for Criminal justice reports on nurse and nurse aide applicants based on fingerprint checks by DPS and the FBI. The Department of Public Safety charges \$59 for each state/federal fingerprint check. The Board of Nursing believes that criminal background checks are necessary to protect the public and will, therefore, adopted regulations requiring fingerprint checks during its September 19 meeting. Funding would be from receipt supported services.

Establish a Nurse III Position to Directly Administer the Colleagues in Caring Program. The University of

- Alaska through an RSA currently administers the program for the division. In FY01, the division received 140.0 in expenditure authority to support Colleagues in Caring, which is a consortium of nursing employers, educators and regulators dedicated to ensure an adequate supply of properly trained nursing professionals. The Board believes it can deliver the best program by bringing Colleagues in Caring directly under the Board, following the model of other states. 78.9 will remain in contractual services to support Board Colleagues in Caring activities.

Increase Existing Part-time Real Estate Licensing Examiner to Full time. The real estate industry has been

- consolidating, resulting in an increased number of transfers between offices, broker changes and other actions requiring license processing. The nature of the business and the amounts of money involved in transactions mean that rapid response by the division is demanded. The Real Estate Commission decided at its September 14 to reallocate a portion of the Real Estate Surety Fund expenditure authority to its licensing function to make the licensing examiner a full-time position.
- Public Accountancy Exam Price Increase.** The organization that writes the national Certified Public Accountancy Examination has announced that the price the division is charged for each copy of the exam will double in FY03. The division spent \$30.3 purchasing CPA exams in FY01 and anticipates spending \$60.6 in FY03. Applicants for licenses pay the division for the exams, but the division expenditure authority needs to be increased to cover this expense.

DCED STATE FACILITIES RENT ADJUSTMENTS

- Increments.** Increments for the Divisions of Occupational Licensing and Banking, Securities, & Corporations are requested to cover rent increases in FY03. An increment for the DCED State Facilities Rent Component is requested to receive the rent payments, in the form of interagency receipts and general funds to cover rent increases for divisions funded by general funds.

Transfers. The Divisions of Investments, Insurance, Banking, Securities, and Corporations, and Occupational

- Licensing in late FY02 are moving from leased space in the Frontier Building to the State owned Atwood Building. Lease monies from the Department of Administration will be transferred to this component to cover FY03 Atwood Building rent expenses.
- Correction.** When general funds were allocated to the departments to cover lease costs of the Community Building, the footage of the DCED was transposed with the footage of the Department of Education and Early Development (DEED). A transfer of funds from DEED to this component corrects the error.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	42,904.6	20,868.6	85,174.7	148,947.9
Adjustments which will continue current level of service:				
-Executive Admin	-76.0	0.0	45.3	-30.7
-Comm Assist & Ec Dev	248.9	32.8	-126.6	155.1
-State Revenue Sharing	0.0	0.0	150.0	150.0
-Investments	0.0	0.0	82.6	82.6
-Alaska Aerospace Devel Corp	0.0	0.0	46.2	46.2
-AIDEA	0.0	0.0	-871.3	-871.3
-Rural Energy Programs	-489.7	-166.0	-17,595.3	-18,251.0
-Alaska Energy Authority	489.7	166.0	18,647.2	19,302.9
-AK Science & Tech Foundation	0.0	0.0	26.7	26.7
-Alaska Seafood Marketing Inst	0.0	0.0	51.6	51.6
-Banking, Securities, and Corp	0.0	0.0	53.9	53.9
-Insurance	0.0	0.0	112.3	112.3
-Occupational Licensing	11.9	0.0	122.4	134.3
-Reg Comm of Ak	0.0	0.0	131.8	131.8
-DCED State Facilities Rent	197.1	0.0	0.0	197.1
Proposed budget decreases:				
-Comm Assist & Ec Dev	0.0	0.0	-112.2	-112.2
-Qualified Trade Assoc. Contract	-600.0	0.0	-50.1	-650.1
-Alaska Seafood Marketing Inst	0.0	0.0	-700.0	-700.0
-Occupational Licensing	0.0	0.0	-4.0	-4.0
Proposed budget increases:				
-Comm Assist & Ec Dev	440.0	0.0	75.0	515.0
-Alaska Aerospace Devel Corp	0.0	0.0	917.1	917.1
-AIDEA	0.0	0.0	240.0	240.0
-Alaska Energy Authority	5.9	2.3	1,780.1	1,788.3
-Banking, Securities, and Corp	0.0	0.0	242.3	242.3
-Insurance	0.0	0.0	59.9	59.9
-Occupational Licensing	0.0	0.0	454.3	454.3
-DCED State Facilities Rent	14.1	0.0	42.9	57.0
FY2003 Governor	43,146.5	20,903.7	88,996.8	153,047.0